[June 18, 2025]

*These responses represent CIRO's view **at the time of publication.** Note that these responses will be confirmed and/or updated (as applicable) in final form alongside the republication of the entire set of Proposed DC Rules for comment.*

**Comments received in response to the Rule Consolidation Phase 3 Bulletin**

On April 18, 2024, CIRO issued **Rules Bulletin 24-0145** requesting comments on Phase 3 of its Rule Consolidation Project rule proposals. We received 13 comments letters from the following commenters:

- Aviso **(Aviso)**
- Canada Life **(Canada Life)**
- Canadian Bankers Association **(CBA)**
- Canadian Independent Finance and Innovation Counsel **(CIFIC)**
- Federation of Independent Dealers **(FID)**
- Groupe financier PEAK **(PEAK)**
- iA Private Wealth Inc. **(iA Wealth)**
- Investment Industry Association of Canada **(IIAC)**
- Investors Group Inc. **(IGWM)**
- MICA Capital **(MICA)**
- Renno & Co Inc. **(Renno)**
- The Canadian Advocacy Council of CFA Societies Canada **(CAC)**
- The Investment Funds Institute of Canada **(IFIC)**

Copies of these letters are publicly available on CIRO's website (www.ciro.ca).

The following table summarizes these comments and our responses:

| SUMMARY OF COMMENTS | CIRO RESPONSE |
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| **General Comments** | |
| 1. Two commentators reiterated the following guiding principles:<br>• Like dealer activities should be regulated in a like manner.<br>• Regulatory arbitrage between Investment dealers and Mutual fund dealers should be minimized.<br>• Current Mutual Fund Dealers that choose to continue as Mutual Fund Dealers should be minimally impacted by any changes to the rules.<br>• Rules should be sufficiently flexible to permit a spectrum of business structure and offerings.<br>• Where appropriate and practical, principle-based rules that are scalable and proportionate to the different types and sizes of dealers and their respective business models should be adopted.<br>• Reviews, audits, and examination of dealers should be consistent in the interpretation and application of the rules, regardless of business model. **(IFIC, iA Wealth)** | As we set out in our objectives for this project, CIRO's intended objectives are to:<br>• achieve greater rule harmonization by ensuring like dealer activities will be regulated in a like manner and to reduce regulatory arbitrage<br>• adopt less prescriptive, more principles-based rule requirements<br>• Improve clarity of the rules applicable to all CIRO Dealer Members.<br>We believe following these objectives will result in requirements that apply appropriate and consistent regulatory oversight to Dealer Member operations and activities, maintain or enhance investor protection, and give Dealer Members the opportunity to more closely align their compliance and supervisory frameworks with their business models. |
| **Guidance Notes** | |
| 2. One commentator requests CIRO provide clarification on the guidance that will be used when the project is complete. **(IFIC)**<br>**IFIC** recommends CIRO undertake a project, with public consultation, to make conforming changes to interim | Guidance is currently under review. Our intent is to develop harmonized guidance that applies to both Investment and Mutual fund dealers. The guidance will assist Dealer Members with meeting their regulatory obligations and aligning their compliance and supervisory frameworks to their business models, while being mindful of regulatory objectives. |

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| guidance notes. **IFIC** urges CIRO to consider both the Mutual fund dealer Rules and the IDPC Rules. | We will assess the guidance notes on a note-by-note basis to determine which of them we will need to publish for public comment. |
| **Shared offices premises** | |
| 3. Three commentators are concerned with the use of the words "laid out and operated." **(IFIC, CBA, IIAC)** They believe the wording could be misinterpreted to mean that firms are expected to reconfigure their premises. | Subsection 2216(6) is an existing IDPC Rule requirement. The words "laid out and operated" identify a regulatory objective (i.e., achieving and maintaining the confidentiality of client information), but do not prescribe specific configurations. |
| 4. Two commentators recommend removing the paragraph under proposed DC Rule 2218(4)(ii) as Rule 2218(4)(i) adequately provides the necessary client confidentiality and disclosure consent. **(IFIC, IIAC)** | Subsection 2218(4)(ii) is an existing IDPC Rule requirement. We are satisfied that the requirement for positive consent to disclosure of client information is a requirement to which Investment dealers should continue to be subject, and that should extend to Mutual fund dealers in similar circumstances. |
| 5. One commentator recommends removing proposed DC Rule 2218(5) as it is not practical and overly prescriptive. **(IFIC)** **IFIC** asked for consideration when operationalizing this requirement for dual-hatted employees of a financial institution. | Subsection 2218(5) is an existing IDPC Rule requirement to which Investment dealers will continue to be subject. Where Mutual fund dealers operate in the same manner as Investment dealers, they will be subject to the same requirements.<br>We believe this requirement is equally important to both Investment dealers and Mutual fund dealers to limit client confusion and ensure privacy, confidentiality, and maintenance of records. |
| 6. A few commentators disagree with the shared premises proposal and state the requirements should not be extended to Mutual fund dealers. **(Renno, PEAK, FID, CIFIC) CBA** stated there would be a material impact on stakeholders.<br>**CIFIC** seeks further clarification on the expectations specifically pertaining to Rule 2217(1) and (2). | Currently, the IDPC Rules have specific requirements for Investment dealers sharing office premises with other regulated Canadian financial service entities that are involved in financial activities. The Mutual fund dealers do not have an equivalent requirement.<br>In Rules Bulletin 24-0145, we initially adopted a modified version of the IDPC Rule provisions, which would be applicable to all Dealer Members. We believed this would limit client confusion, |

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| **Aviso** submits the rational for excluding the requirement for Mutual fund dealers equally applies to Investment dealers and dual registered dealers.<br>**CBA** believes shared premises do not adequately accommodate arrangements where bank owned Mutual fund dealers operate out of bank branches, where Mutual fund dealer dealing representatives are dually employed by the bank and sell both GICs and mutual funds. | while maintaining privacy and confidentiality. However, there was one exception which was disclosing the full legal name of each institution sharing offices. We did not propose that the requirement apply to Mutual fund dealers.<br>After careful consideration, noting industry feedback, we now propose removing the requirement moving forward, which would align with our membership disclosure policy of removing decals. We believe removing the requirement further aligns with the project objectives of promoting greater harmonization between Investment dealers and Mutual fund dealers. |
| **Ownership of a Dealer Member's securities** | |
| 7. Two commentators support the proposal to align the rules regarding ownership of significant equity interest across dealer types. **(CAC, FID)**<br>**CAC** supports post-notification of all changes less than 10 percent as an acceptable solution for legacy pre-approval requirements.<br>**FID** agrees with the reduction of the approval threshold from 20% to 10% as long as the resulting increase in frequency of notifications to CIRO does not attract new or increasing fee amounts. | We acknowledge the comment. |
| **Dealer Member's notice of changes to the Corporation** | |
| 8. One commentator believes the requirement as set out in Rule 2246 should be removed since:<br>• There is already a process in place for reviewing new products at the firm level;<br>• It is an unprecedented overreach by CIRO; | Rule subsection 2246(3) was proposed for public comment in IIROC Rules Notice 19-0200, IIROC Rules Notice 22-0055 and CIRO Rules Bulletin 23-0092.<br>As indicated in these publications, the intent was to ensure all new highly leveraged and complex product/account offerings to retail clients and changes to existing product/account offerings to |

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| • The definition of "highly leveraged" is vague and "leverage" is a range in any instrument;<br>• The term "derivative" is broad and can include a wide range of securities, such as structured notes, options, warrants, convertible debentures, etc.; and,<br>• DIY investors often trade highly leveraged ETFs, and this requirement could impede their trading. **(CIFIC)**<br><br>**CIFIC** also recommends highly leveraged products should not require regulator pre-approval or approval, as it would hinder portfolio management and trading. CIFIC states it would be difficult to operationalize and would constitute a regulatory overreach. | retail clients (including proposed new underlying asset classes such as cryptocurrencies) receive advance approval by CIRO.<br><br>This requirement codified current CIRO, OSC, and AMF expectations, conditions, and requirements relating to the offering of contracts for difference to retail clients.<br><br>We do not expect to use this approval authority frequently but require this authority to ensure that we can act in circumstances where a product featuring higher risk characteristics or complexity, and where investor protection may be a concern, is proposed to be made available to retail clients. |
| **Arbitration** | |
| 9. One commentator disagrees with the proposal to require Mutual fund dealers to participate in the CIRO arbitration program. **(IFIC)**<br><br>**IFIC** said it would be costly and inefficient given that the CSA is currently consulting with OBSI's independent dispute resolution service. **IFIC** and **IGWN** strongly encouraged further consultation before moving forward with the arbitration program.<br><br>**IFIC** urged the CSA to undertake a holistic analysis of all dispute resolution, arbitration, and other complaint resolution solutions available to investors, including OBSI, CIRO's current arbitration program and the AMF dispute resolution regime to create a cohesive and harmonized regime. | As set out in Rules Bulletin 24-0145, the regulatory intent requiring Mutual fund dealers to participate in the CIRO arbitration program is to provide Mutual fund dealer clients with additional options to resolve disputes. In our view, this would enhance investor protection by ensuring like activities are regulated in a like manner.<br><br>We intend to propose changes, including addressing potential overlap with OBSI mechanisms or services, to the current arbitration program in a separate initiative. |
| **Information sharing with the OBSI** | |

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| 10. One commentator states the systematic removal of this rule is not necessary as CIRO is already notified by Dealer Members of complaints and receives the substantive complaint response through METS/COMSET filings. **(iA Wealth) iA Wealth** would like to understand the purpose of the proposal to remove the rule.<br>Another commentator rejects the idea of CIRO accepting OBSI investigation materials stating members have had sufficient experience with OBSI and want their SRO to do their own investigations. **(FID)** | As we stated in Rules Bulletin 24-0145, the IDPC Rules prohibit the OBSI from sharing information with CIRO relating to their investigation and review of complaints against Investment dealers whereas the Mutual fund dealer Rules do not contain an equivalent prohibition. The prohibition in the IDPC Rules is inconsistent with the OBSI's Terms of Reference. As a result, we have proposed to adopt the Mutual fund dealer Rules approach.<br>The proposed amendments promote investor protection and ensures compliance with securities law by fostering fair, equitable and ethical business standards, and practices. |
| **Business Continuity Plans (BCP)** | |
| 11. A few commenters are not opposed to adopting the IDPC rules regarding business continuity plans for Mutual fund dealers. However, they are concerned that there may be an expectation of a "one-size for all" BCP plan for Dealer Members.<br>They suggest adding wording that states that an appropriate BCP plan may be proportionate to the respective business model and risk profile of the Dealer Member. **(IFIC)** | We acknowledge the comment. We believe the existing requirements are sufficiently broad to facilitate a Dealer Member to tailor their BCPs accordingly based on their business model and risk profile.<br>A firm's BCP should be designed to ensure that the Dealer Member can resume business following a significant business disruption and be able to meet obligations to customers and capital market counterparts. The plan should be based on an assessment of critical business functions and required levels of operation.<br>The proposed amendments to BCP requirements are intended to adopt a harmonized, flexible, standard approach to accommodate both Investment dealer and Mutual fund dealer business models. We are satisfied that the amendments, as proposed, address the matters raised by the commenter. |
| 12. One commenter suggested drafting updates to the definition of 'significant business disruption' from an incident that would impede client access to their investments or their | A "significant business disruption" as defined in section 4711 would require a Dealer to activate their business continuity plan, pursuant to section 4713. We intend for a Dealer Member's BCP |

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| ability to liquidate their positions to specify that the incident may cause substantial harm to a client.<br>They also suggest updating the timeline to notify the Corporation in the event of a significant business disruption from as soon as possible to be as soon as *reasonably* possible. **(IIAC)** | to be activated only in limited circumstances, which give rise to the potential for specific client harm. We are satisfied that the definition, as proposed, appropriately captures this regulatory intent.<br>Where there is an impairment in client access to their derivatives or securities positions/accounts or to the client's ability to liquidate or close-out their account positions, this would be considered a "significant business disruption."<br>We have not specified within the Proposals the minimum duration and severity of an impairment that would result in it being considered as a "significant business disruption" nor have we specified the exact steps a firm must take when dealing with a significant impairment, other than keeping CIRO apprised. This is because assessing the significance of an impairment and identifying the steps to address the issue can be very incident-specific and could vary depending on the Dealer Member's business model and size. |
| **Disgorgement** | |
| 13. One commenter expressed support for the proposal to adopt the existing IDPC Rule provisions, which specifically provide for disgorgement. **(FID)** | We acknowledge the comment. As we stated in Rules Bulletin 24-0145, we will propose a process for returning disgorged funds to investors. |
| **Question #1: Process used for publishing for public comment** | |
| 14. One commenter said republishing the entire rulebook is not necessary. This commenter believes there was sufficient notice throughout the phases unless there are significant changes. **(CAC)** | Many stakeholders, particularly those who would be directly impacted by the proposed changes (i.e., registrants), have expressed the need to review the harmonized Rulebook in its entirety. Given the volume of changes, and to be fair to as many stakeholders as possible, we have determined that a final publication of the consolidated Rulebook would be appropriate. |

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| | We acknowledge the comment but believe stakeholders would benefit from a holistic review of the entire rulebook prior to approval. |
| 15. One commentator is of the view that certain proposed DC Rules could be implemented before all phases of the Rule Consolidation Project are complete, as long as the rule is in final form and:<br>• can be implemented without creating inconsistency with current IDPC Rules and Mutual fund dealer rules, and<br>• are not interrelated with Rules that are a part of a future phase of the Rule Consolidation Project. **(iA Wealth)** | Stakeholders have expressed the concern that developing Rule consolidation in Phases may give rise to unaddressed interdependencies and unintended consequences, which may only become apparent when the Rulebook is considered in its entirety. To address this concern, we intend to present the entire Rulebook, in a final publication, following publication of the Phase 5 proposals.<br>We've recently published a Rule Consolidation Project update in **Rules Bulletin 24-0261**, and stated that the entire set of DC Rules will be implemented as a whole with an appropriate transition period. |
| 16. Most commentators are supportive of republishing the complete set of DC Rules. **(Aviso, CBA, Renno, IGWM, IFIC, FID, IIAC, MICA, PEAK, CIFIC)**.<br>One commenter said the republished rulebook would include any changes CIRO expects to make due to feedback received throughout the phases. **(Aviso)**<br>Another commenter said republishing is necessary given the amount of time lapsed from publication of the first phase to the final phase. **(CBA)** | We acknowledge the comment and appreciate your feedback.<br>As mentioned in **Rules Bulletin 24-0261**, we intend to publish the entire set of DC Rules as a whole and determine an appropriate transition period. |
| **Question #2 – Implementation** | |
| 17. Two commentators suggest an implementation period of up to one year from the completion of the final proposed rules was reasonable and adequate given the length of consultation throughout the project. **(Renno, CBA)** | Recently, in an update on the Rule Consolidation Project in **Rules Bulletin 24-0261**, the implementation timeline is still under consideration. We will consider all stakeholder feedback to determine a reasonable timeline and communicate next steps to all Dealer Members. |

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| 18. Two commentators believe the consolidated rules be brought into force quickly with little disruption and should be implemented as soon as possible. **(iA Wealth, Canada Life)**<br><br>Where rules can be implemented in phases with little risk for Dealer Members to revisit implementation based on subsequent phases, three commentators support CIRO implementing on a rolling basis. **(iA Wealth, Canada Life, CIFIC).** | We have received feedback that there could be unaddressed interdependencies and unintended consequences if the Rule consolidation is implemented in phases. As a result, we proposed publishing the entire rulebook, following the publication of Phase 5, which we reiterated in **Rules Bulletin 24-0261**.<br><br>When all changes have been adopted in final form, we intend to implement all phases simultaneously. |
| 19. A few commentators said it was too early in the process to be able to determine the length of time required for implementation. **(IIAC, IFIC, IGWN, Aviso, MICA, PEAK)**<br><br>**IGWM** and **IFIC** believe the rules need to be published in totality for a proper assessment of the implementation costs, policy and procedures, and the operational matters before determining the time needed to meet compliance. | We acknowledge the comments.<br><br>We published **Rules Bulletin 24-0261**, which is an update on the Rule Consolidation Project. In the Bulletin, we stated that we intend to publish the rulebook as a comprehensive whole to allow stakeholders an opportunity to review and provide their comments accordingly. The complete set of DC Rules will be implemented as a whole with an appropriate transition period. |
| **Question #3 – Cross-guarantee requirements** | |
| 20. A few commentators support the requirement for Dealer Members to execute cross-guarantees for commonly owned Investment dealers and Mutual fund dealers, stating it would not cause undue burden. **(CAC, Canada Life, Renno, IGWM, FID, PEAK)**<br><br>However, **Canada Life** and **IGWN** believe cross guarantees should be limited to downstream related companies that are involved in decision making related to each other's business and affairs.<br><br>**Canada Life** also encouraged CIRO to revisit the 20% common ownership threshold as they feel it is too low to | We acknowledge the suggestions made by commenters. However, the changes suggested are beyond the scope of the Rule Consolidation project.<br><br>The amendments, as proposed, would ensure a level playing field for Investment dealers and Mutual fund dealers and, in our view, represent the objectives of the Rule Consolidation project.<br><br>Rule 2206, as amended, would give the *Corporation* (i.e., authorized CIRO staff) the ability to grant relief from the requirements, where appropriate. |

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| appropriately capture instances when the same shareholders have sufficient ownership position to influence or be involved in decision making at multiple Dealer Members.<br><br>**FID** shared a single concern that the cross guarantee could imperil the second entity in certain circumstances. | We have raised a consultation question in Rules Bulletin 24-0145 seeking specific details on any undue regulatory burden and will carefully consider all stakeholder feedback. |
| 21. A few commentators do not support the cross-guarantee requirements citing the increased regulatory, administrative, and financial burden exceed its value, leading to an unfair burden. **(IFIC, CBA, IIAC, CIFIC, MICA)** | We acknowledge the comment.<br><br>Mutual fund dealers are subject to a Related Member Guarantee requirement under MFD Rule 3.2.4. The regulatory policy rationale for the requirement (i.e., that Dealer Members who are related companies shall guarantee each other's obligations) has not changed.<br><br>The cross-guarantee requirement found in the MFD Rules is similar to that in the IDPC Rules.<br>We adopted a modified version of the IDPC Rule provision as we believe Mutual fund dealers should be subject to an equivalent approval requirement and where Dealer Members require an exemption from the cross-guarantee requirement, CIRO staff should have the ability to provide relief. |
| **Question #4 – Membership disclosure policy** | |
| 22. Four commentators generally support the proposed changes to the membership disclosure policy. **(CAC, Renno, IGWM, FID)** | We acknowledge the comment. |
| 23. A few commentators do not support the proposed changes of adding a link to the CIRO website to account statement. They state the cost would outweigh the benefit. **(IIAC, IFIC, CBA, Aviso, MICA, PEAK, CIFIC)** | We carefully considered the industry's response to the suggestion of adding a link to the CIRO website on account statements and have decided to remove the requirement going forward, as we are mindful of the operational and cost implications. |

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| **IFIC, PEAK** and **IIAC** suggest inserting a link to the statement be optional, rather than mandatory. | |
| 24. One commentator believes the decal should be displayed at all public facing business locations for both Investment dealers and Mutual fund dealers. **(CAC)**<br>While some commentators support removing the CIRO decal. **(IIAC, IGWM, CBA Aviso, PEAK, CIFIC)**<br>**MICA** believes that the decal should be optional. | After careful consideration of industry feedback, we have decided to remove the decal requirements as we are mindful of the operational and cost implications for Dealer Members. |
| 25. Many commentators support providing CIROs official brochure either at account opening or upon request. **(FID, IFIC, IGWM, CAC, Aviso, CBA, CIFIC, PEAK, MICA)** | We acknowledge the comment. |
| **Question #5 – Account transfers** | |
| 26. Five commentators agreed that there would be minimal impact to Mutual fund dealers, as a result of the proposed harmonization of Mutual fund dealer and Investment dealer transfer requirements. **(CIFIC, IFIC, MICA, PEAK, Renno)** | We acknowledge the comment. |
| 27. A few commentators noted that while the consultation materials note that most Mutual fund dealer transfers occur outside of CDS ATON and that process is covered under Rule 4860, most of the proposed rules (DC Rules 4852 to 4865) are specific to transfers through CDS ATON and not applicable to Mutual fund dealers.<br>The commenters say it would be helpful to specify that those Rules are only applicable to Mutual fund dealers if they are participants of CDS ATON. This would help to avoid the perception that all Mutual fund dealers are required to become participants of CDS ATON. (**CBA, FID, IIAC**) | We acknowledge the comment. This comment will be addressed separately in the project on transfer rule amendments which seeks to modernize transfer rules and reflect the differing practices undertaken by different dealer types/registrants. |

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| 28. A commenter noted that FundServ is not listed as a recognized depository and that the rules should be modified to address this. **(FID)** | We acknowledge the comment. This comment will be addressed separately in the project on transfer rule amendments. |
| 29. A few commentators noted their support of the proposal for accounts transfer and bulk account movements but would also like to extend the rules for bulk account movements to bulk transfers between affiliated dealers without requiring exemptive relief. **(Canada Life, IFIC, IGWM, MICA, PEAK)**<br><br>**IFIC** and **Canada Life** urge CIRO to consider extending the rules to apply to bulk transfers between affiliates without requiring exemptive relief and without having to complete a business change form.<br>**PEAK** and **MICA** believe it would be more appropriate to simply set out in the rule the conditions CIRO considers necessary for such a transfer, avoiding having to obtain an exemption. | We acknowledge the comment. This comment will be addressed separately in the project on transfer rule amendments which seeks to modernize transfer rules and reflect the differing practices undertaken by different dealer types/registrants.<br>It is important to note that we are not proposing any material amendments to the bulk account movement rules.<br>As part of the Phase 4 proposals, current IDPC Rule 3212(4) and the MFD Rule 2.2.2(c) allow for bulk account movements without the need for exemption provided that certain criteria are met. |
| 30. One commenter noted that the process for completing mutual fund transfers is typically completed via manual process which can result in delays and lead to complaints. They asked that CIRO consider what other mechanisms could be used by mutual fund dealers that are not participants of CDS ATON to facilitate the timely transfer of assets. **(CAC)** | We acknowledge the comment. This comment will be addressed separately in the project on transfer rule amendments. |
| **Question #6 – Trading and delivery standards** | |
| 31. A few commentators agreed that the impact on Dealer Members on harmonizing trading and delivery standards would be minimal. **(CAC, CBA, CIFIC, IIAC, IGWM, Renno)** | We acknowledge the comment. |

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| 32. One commenter is wary of the additional burden and the applicability of the trading and delivery standards to Mutual fund dealers. **(FID)** | We acknowledge the comment. As we set out in our objectives, one of CIRO's primary objectives is to achieve greater rule harmonization by ensuring like dealer activities be regulated in a like manner to reduce regulatory arbitrage. We believe Mutual fund dealers trading and delivering these securities should be subject to the same requirements.<br><br>The trading and delivery standards as outlined in the IDPC rules are expected to be of minimal impact to Mutual fund dealers as they typically trade in mutual funds that are settled through Fundserv or a third-party custodian. |
| **Question #7 – Maximum fine** | |
| 33. One commentator believes CIRO should provide adequate guidance for hearing panels and committees when assessing and imposing fines. **(IGWM)**<br>**IGWM** recommends CIRO continue to apply fines in an appropriate manner while ensuring there is not general inflation to all monetary fines applied in enforcement matters. | The proposed increase would allow CIRO hearing panels to order sanctions consistent with previous sanctions and believe the increase amount is justified and warranted to further increase the deterrent effect associated with violating CIRO rules, and to recognize the growth and size of the securities industry that is regulated by CIRO. |
| 34. Two commentators agree that the maximum fine should be increased. **(CAC, Renno)**<br><br>**CAC** believes increasing the fine would serve to increase deterrence, while **Renno** believes the current fine is insufficient given the scope and impact of the offences. | We acknowledge the comment. |
| 35. A few commentators disagree with the proposal to increase the fine. **(IFIC, FID, IIAC, MICA, PEAK, CIFIC)** | We acknowledge the comment and note that the fine is not intended to be based on the size of the firm. It is intended to be |

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| **IIAC** said there was no evidence provided to support a sound policy basis for any need to increase fines and that fines appear unrelated to harmonization.<br>**MICA** suggests raising the ceiling for offences that are objectively more serious.<br>**CIFIC** urges CIRO to make the fine model fairer for smaller Investment dealers by suggesting the following:<br>• Structure fines as a percentage of the firm's annual revenue or profits, ensuring penalties are scaled.<br>• A tiered system, where smaller firms face lower maximum fines compared to larger firms. Bands ensure fines are proportionate.<br>• Fines could be calculated based on the specific risk profile and regulatory history of the firm with lower risk activities and a clean compliance history facing lower fines.<br>• Establishing a system of graduated penalties where the number and severity of the violation(s) and the firm's ability to pay are considered.<br>• Implementing fines based on the profits gained or the loss avoided from misconduct ensures that penalties are linked to the financial benefit received from the infraction, regardless of firm size.<br>• Allowing smaller firms to apply for hardship provisions that reduce fines based on demonstrated financial distress would ensure penalties are not crippling.<br>• Offering reduced fines for firms that admit fault early and take corrective actions promptly encourages swift resolution and mitigates the financial impact on smaller firms. | proportionate to the offence and severity of client harm, taking precedent into consideration. |

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| • Offering alternative sanctions such as mandatory compliance training, enhanced oversight, or community service requirements for smaller firms.<br>• Recommend ensuring the fine structure is transparent and predictable with clear guidelines on how fines are calculated to help smaller firms plan and manage their compliance risk effectively. | |
| **Question #8 – Sanctioned individuals** | |
| 36. Three commentators are supportive of the proposed changes. **(CAC, Renno, PEAK)**<br>**CAC** cites high recidivism rates for financial advisors with a history of serious misconduct. **CAC** strongly encourages CIRO to explore whether bards or suspensions could be honored by affiliated or related entities for investor protection. | We acknowledge the comment. |
| 37. Three commentators disagree with the proposed increase. **(IFIC, FID, MICA)**<br>**IFIC** believes no market failures identified would justify such an increase. **IFIC** states that such an increase should be subject to further consultation and rigorous policy analysis. | We acknowledge the comment. However, the deterrent effect of a sanction is compromised if economic restrictions, imposed for the duration of the sanction, can be bypassed through the availability of renumerated activity at other registered firms in the same industry sector.<br>The proposed amendments serve as a deterrent measure to maintain the integrity of the restrictions currently imposed on sanctioned individuals. |
| 38. Many commentators urge CIRO to consider the employment law considerations before proceeding with the proposed expanded restrictions. **(IIAC, IGWM, CBA, IFIC, MICA, PEAK, CIFIC)** | The proposed amendments ensure sanctioned individuals do not indirectly conduct securities-related business. The purpose of the amendment is to increase the deterrent effect of sanctions, while increasing investor protection. |